DLA J344 Comments on Draft DFARS "Counterfeit Electronics"

Paula George
DLA-HQ J344
703 767 3390

27 March 2014

AGENDA

- The Defense Logistics Agency (DLA)
- DFARS Applicability
- CAS-covered Contractors
- Parts Providers to DLA
- DLA Cannot Use the DFARS
- Recommendation

Defense Logistics Agency

- **The Defense Logistics Agency (DLA) is the primary purchaser of electronic parts and components used as spares and replacement parts for the Dept of Defense**
  - **Many of those parts are out of production or obsolete, may be difficult to obtain and may be in danger of being counterfeited**
  - **These purchases are not in large quantities or for large $ values**
  - **Many of the parts are used in critical**

DFARS APPLICABILITY

- The Draft DFARS "**Detection and Avoidance of Counterfeit Electronic Parts**" states that it is only applicable to **"Contractors that are subject to the Cost Accounting Standards (CAS) under 41 U.S.C. Chapter 15, as implemented in regulations found at 48 CFR 9903.201-1 (see the FAR appendix), and that supply electronic parts or products that include electronic parts under CAS-covered contracts, and their subcontractors…"**

DLA does NOT purchase any electronic parts from CAS-covered contractors and does NOT use any CAS-covered contracts

CAS-COVERED CONTRACTORS

- **Typically, CAS-covered DoD contractors are large corporations that develop & produce major weapon systems**
  - **They do not manufacture or sell electronic parts or components**
  - **They are not interested in bidding on the small $ value DLA contracts for spares & replacement parts**

PARTS PROVIDERS TO DLA

- **The electronic parts providers to DLA are mostly small businesses – independent distributors and/or authorized distributors**
  - **None meet the threshold limits for a CAS.**

Note: the independent distribution arena for electronic parts holds the greatest danger of obtaining counterfeit products

DLA CANNOT USE THE DFARS

To obtain the needed parts, DLA has to operate in the riskiest part of the electronic market, (old, obsolete spares and replacement parts), with independent distributors, but the Draft DFARS will NOT be applicable to any of our vendors

It is of no use to DLA as written.

RECOMMENDATION

- **Although Section 818 of the 2012 NDAA (unfortunately) directs DoD to focus on CAS-covered contractors, there is no reason why the Draft DFARS cannot be made applicable to both CAS-covered contractors and non CAS-covered contractors.**
  - **That would make it more stringent, not less stringent, which would still be acceptable to Congress.**
  - **If it were applicable to non CAS-covered contractors, then it would assist in reducing the counterfeit risk in the most dangerous**

DEFENSE LOGISTICS AGENCY

AMERICA'S COMBAT LOGISTICS SUPPORT AGENCY

WARFIGHTER SUPPORT STEWARDSHIP EXCELLENCE WORKFORCE DEVELOPMENT